

State Lottery

Analyst: Bybee

Historical Summary

OPERATING BUDGET	FY 2020 Total App	FY 2020 Actual	FY 2021 Approp	FY 2022 Request	FY 2022 Gov Rec
BY FUND CATEGORY					
Dedicated	6,152,500	5,168,900	6,299,800	6,483,700	6,450,500
Percent Change:		(16.0%)	21.9%	2.9%	2.4%
BY OBJECT OF EXPENDITURE					
Personnel Costs	3,451,500	3,182,000	3,517,100	3,619,100	3,585,900
Operating Expenditures	2,579,500	1,865,500	2,654,100	2,766,600	2,766,600
Capital Outlay	121,500	121,400	128,600	98,000	98,000
Total:	6,152,500	5,168,900	6,299,800	6,483,700	6,450,500
Full-Time Positions (FTP)	45.00	45.00	45.00	45.00	45.00

Division Description

Voters approved the creation of a state lottery in November 1988, and the Idaho Lottery was established in 1989. The mission of the Idaho Lottery is to maximize net income and the resulting annual dividend payment for Idaho public buildings and schools. The Idaho Lottery's net income was originally split equally between the Permanent Building Fund and the School District Building Fund.

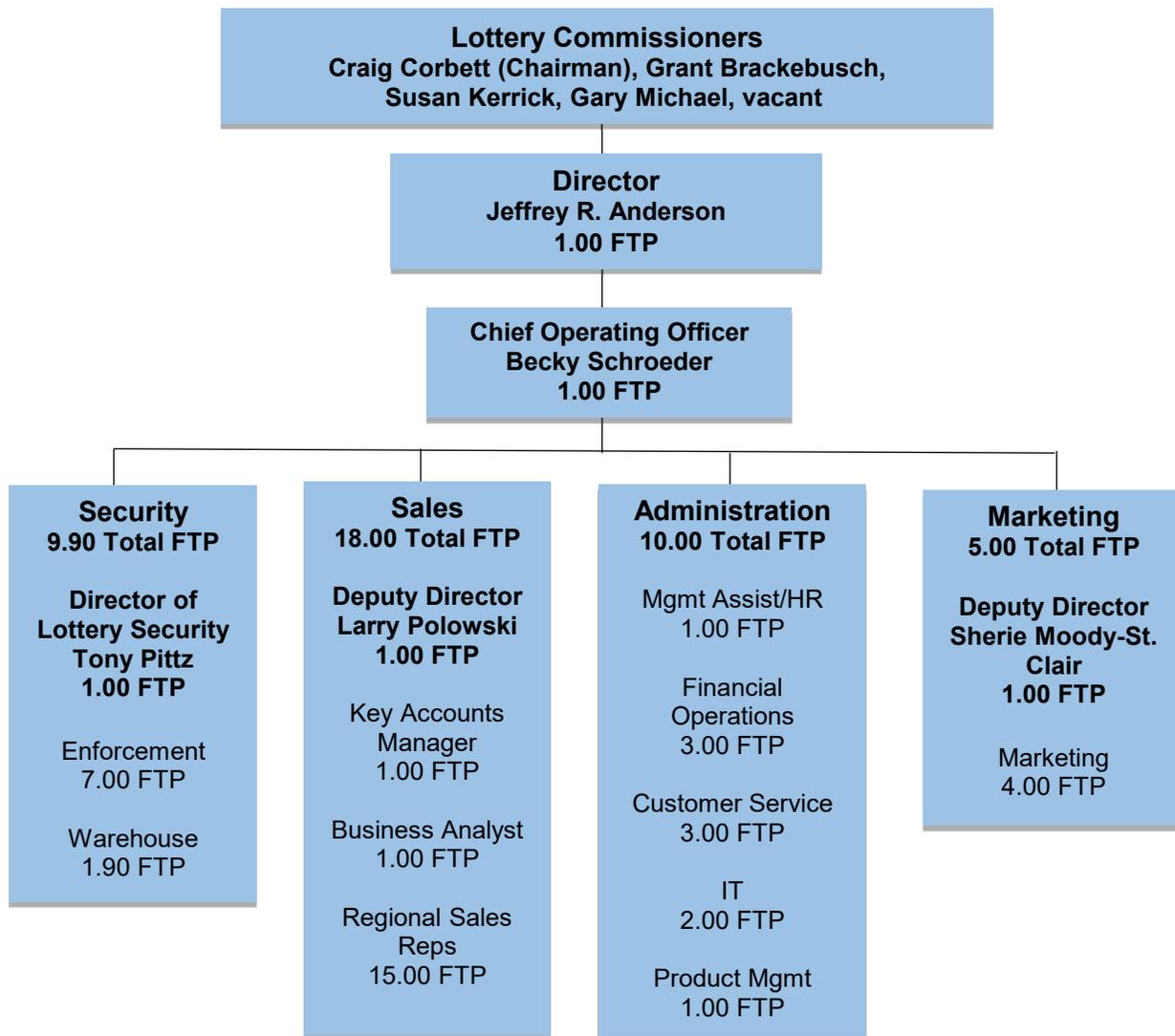
In 2009, H275 provided that beginning on July 1, 2009, so long as transfers to the Permanent Building Fund and the School District Building Fund reach FY 2008 levels or \$17,000,000 for each fund, transfers of net income to the Permanent Building Fund and School District Building Fund shall decrease to three-eighths each, and the remaining one-fourth of net lottery income shall transfer to the Bond Levy Equalization Fund. The legislation was originally set to expire September 30, 2014, but H478 of 2014 extended the sunset date to July 1, 2019, and S1206 of 2017 made the distribution permanent.

Since its inception in 1989, the lottery has distributed over \$906 million in dividends to the state. The Idaho Lottery Commission is a five-member board appointed by the Governor. Appointees serve five-year terms. The commission adopts rules for the agency, approves contracts, and monitors Idaho Lottery operations.

[Statutory Authority: Chapter 74, Title 67, Idaho Code]

State Lottery Organizational Chart

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As of January 29, 2021, the Idaho State Lottery has **two** vacant positions.

State Lottery Agency Profile

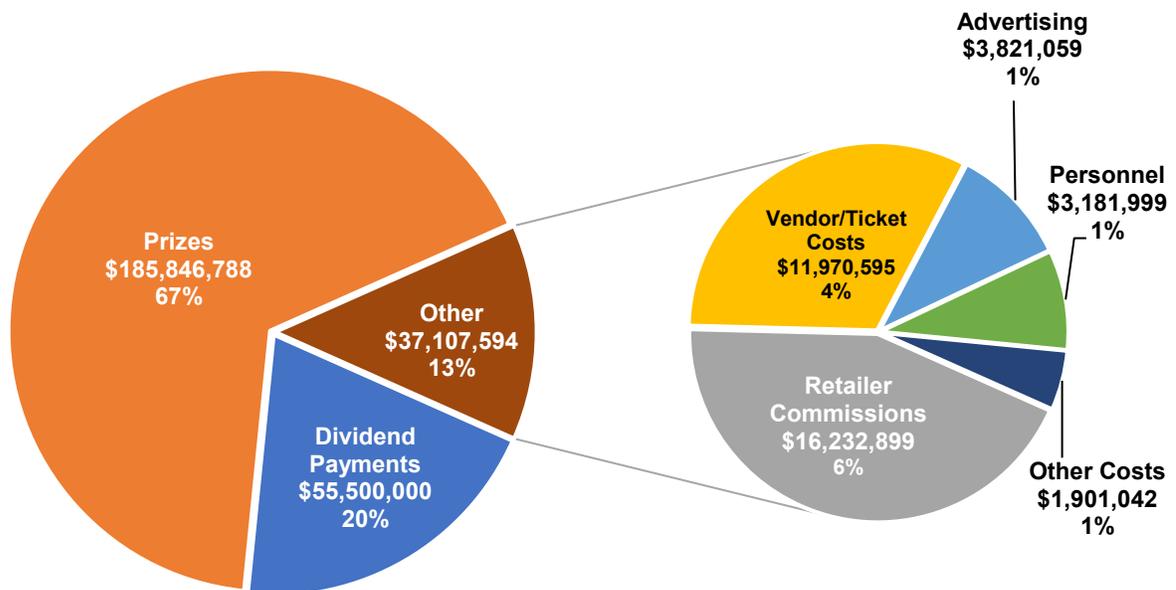
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LOTTERY REVENUE DISTRIBUTION

Statutory Requirements for Expenditures:

1. Prize payout shall be no less than 45% of lottery revenues (Section 67-7433, Idaho Code).
2. Administrative costs shall not exceed 15% of lottery revenue during any fiscal year (Section 67-7449, Idaho Code).
3. Advertising and promotional costs shall not exceed 3.5% of lottery revenue during any fiscal year (Section 67-7449, Idaho Code).

FY 2020 REVENUE COLLECTIONS: \$278,454,382



EXPENDITURES	FY 2018	FY 2019	FY 2020
Dividend Payments	\$53,500,000	\$60,000,000	\$55,500,000
Prizes	\$176,187,739	\$190,047,371	\$185,846,788
Retailer Commissions	\$15,607,357	\$16,641,294	\$16,232,899
Vendor/Ticket Costs	\$11,160,551	\$12,125,467	\$11,970,595
Advertising	\$3,779,829	\$4,622,774	\$3,821,059
Personnel	\$3,185,682	\$3,259,081	\$3,181,999
Other Costs	\$1,994,918	\$1,655,662	\$1,901,042
Total	\$265,416,076	\$288,351,649	\$278,454,382

State Lottery Agency Profile

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DIVIDEND PAYMENTS

Statutory Requirements Section 67-7434, Idaho Code:

1. Lottery dividends shall be split three ways.
 - a. Three-eighths (3/8) shall be transferred to the Permanent Building Fund.
 - b. Three-eighths (3/8) shall be transferred to the School District Building Fund.
 - c. One-fourth (1/4) shall be transferred to the Bond Levy Equalization Fund.

2. The lottery shall ensure that distributions made to the Permanent Building Fund and the School District Building Fund shall not be less than the amount those accounts received for FY 2008 (\$17,000,000 each).
 - a. If total dividends are less than 2008 levels, then the dividend shall be split 50-50 between the permanent building fund and school district building fund.

3. If a full one-fourth (1/4) of the dividend cannot be distributed, the difference shall be deducted from the portion going to bond levy equalization.

Due to timing, revenues are distributed in the fiscal year following the year in which they are collected.

Fiscal Year Distributed	Permanent Building Fund	School District Building Fund	Bond Levy Equalization*	Total Dividend Payment
2007	\$16,500,000	\$16,500,000		\$33,000,000
2008	\$17,000,000	\$17,000,000		\$34,000,000
2009	\$17,000,000	\$17,000,000	\$750,000	\$34,750,000
2010	\$17,000,000	\$17,000,000	\$1,000,000	\$35,000,000
2011	\$17,000,000	\$17,000,000	\$2,500,000	\$36,500,000
2012	\$17,000,000	\$17,000,000	\$3,000,000	\$37,000,000
2013	\$17,000,000	\$17,000,000	\$7,500,000	\$41,500,000
2014	\$18,075,000	\$18,075,000	\$12,050,000	\$48,200,000
2015	\$18,375,000	\$18,375,000	\$12,250,000	\$49,000,000
2016	\$17,000,000	\$17,000,000	\$11,000,000	\$45,000,000
2017	\$18,562,500	\$18,562,500	\$12,375,000	\$49,500,000
2018	\$18,187,500	\$18,187,500	\$12,125,000	\$48,500,000
2019	\$20,062,500	\$20,062,500	\$13,375,000	\$53,500,000
2020	\$22,500,000	\$22,500,000	\$15,000,000	\$60,000,000
2021	\$20,812,500	\$20,812,500	\$13,875,000	\$55,500,000
2022**	\$21,187,500	\$21,187,500	\$14,125,000	\$56,500,000

*Distributions to the School District Building Fund and Bond Levy Equalization Fund are not equal to amounts appropriated in the Public Schools budget because distributions are calculated the following fiscal year.

**Amount shown is a forecast based on historical growth in Lottery dividend payments.

Red Tape Reduction Act

	As of July 1, 2019	As of July 1, 2020
Number of Chapters	Eliminated 2	0
Number of Words	Eliminated 1379	0
Number of Restrictions	Removed 40	0

Part II – Performance Measures

Idaho Code §67-7401 mandates the Idaho Lottery Director to operate the Lottery at the least public expense and the smallest staffing possible. Additionally, Idaho Code §67-7403 directs that the Lottery be operated to produce the maximum amount of net income to benefit the public purposes described in the chapter, consonant with the public good. As it relates to Peer Benchmark Performance Measures, the Director and the Lottery Management Team endeavor to be in the top quintile among their peer states in the areas of **Sales per Capita**, **Dividends as a Percentage of Sales**, and **Dividend Increase Percentage** and among the lowest quintile for **Administrative Costs as a Percentage of Sales**.

Performance Measure		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Responsibly increase net revenues						
1. Total Revenue	actual	\$240,686,600	\$265,810,900	\$288,616,000	\$278,295,800	-----
	target	\$226,650,000	\$253,300,000	\$271,000,000	\$294,600,000	\$285,500,000
2. Net Operating Income	actual	\$48,372,500	\$54,050,000	\$60,045,700	\$55,445,100	-----
	target	\$48,000,000	\$50,500,000	\$54,500,000	\$60,500,000	\$56,500,000
Rigorously manage costs						
3. Total Operating Expenses	actual	\$192,314,100	\$211,760,900	\$228,570,300	\$222,850,700	-----
	target	\$178,650,000	\$202,800,000	\$216,500,000	\$234,100,000	\$229,000,000

Peer Benchmark Performance Measures		FY 2017		FY 2018		FY 2019		FY2020**	
		Peer Group*	Idaho						
1. Sales per capita	actual	\$137.38	\$139.74	\$147.62	\$154.38	\$153.29	\$157.66		\$152.01
	target		\$131.51		\$149.55		151.38		160.92
2. Admin costs as a %tage of sales	actual	7.0%	6.0%	7.0%	6.2%	6.5%	5.9%		6.2%
	target		6.2%		6.3%		6.2%		6.2%
3. Dividends as a %tage of sales	actual	23.6%	20.2%	23.5%	20.2%	23.8%	20.8%		20.0%
	target		21.4%		20.0%		20.1%		20.0%
4. Dividend increase %tage	actual	-3.4%	-2.0%	7.2%	10.3%	5.2%	12.1%		-7.5%
	target		-4.4%		3.3%		1.9%		.8%

Performance Measure Explanatory Notes

*Peer Group includes states with marketplace and product portfolio similarity, not size of population or sales. This Peer Group includes: Arkansas, Iowa, Kansas, Maine, Minnesota, Nebraska, New Mexico, Tennessee and Vermont.

**This is a “previous year” looking Performance Measurement, as statistics for each state are not available at the time this document is published.

Lottery, State

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FY 2020 Actual Expenditures by Division

		FTP	PC	OE	CO	T/B	LS	Total
0.30 FY 2020 Original Appropriation								
0419-00	Ded	45.00	3,458,100	2,579,500	121,500	0	0	6,159,100
Totals:		45.00	3,458,100	2,579,500	121,500	0	0	6,159,100
0.44 Rescissions								
0419-00	Ded	0.00	(6,600)	0	0	0	0	(6,600)
Totals:		0.00	(6,600)	0	0	0	0	(6,600)
1.00 FY 2020 Total Appropriation								
0419-00	Ded	45.00	3,451,500	2,579,500	121,500	0	0	6,152,500
Totals:		45.00	3,451,500	2,579,500	121,500	0	0	6,152,500
1.61 Reverted Appropriation								
0419-00	Ded	0.00	(269,500)	(714,000)	(100)	0	0	(983,600)
Totals:		0.00	(269,500)	(714,000)	(100)	0	0	(983,600)
2.00 FY 2020 Actual Expenditures								
0419-00	Ded	45.00	3,182,000	1,865,500	121,400	0	0	5,168,900
State Lottery			3,182,000	1,865,500	121,400	0	0	5,168,900
Totals:		45.00	3,182,000	1,865,500	121,400	0	0	5,168,900
Difference: Actual Expenditures minus Total Appropriation								
0419-00	Ded		(269,500)	(714,000)	(100)	0	0	(983,600)
State Lottery			(7.8%)	(27.7%)	(0.1%)	N/A	N/A	(16.0%)
Difference From Total Approp			(269,500)	(714,000)	(100)	0	0	(983,600)
Percent Diff From Total Approp			(7.8%)	(27.7%)	(0.1%)	N/A	N/A	(16.0%)

State Lottery

Comparative Summary

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Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2021 Original Appropriation	45.00	0	6,299,800	45.00	0	6,299,800
Removal of Onetime Expenditures	0.00	0	(75,200)	0.00	0	(75,200)
FY 2022 Base	45.00	0	6,224,600	45.00	0	6,224,600
Benefit Costs	0.00	0	72,000	0.00	0	9,000
Replacement Items	0.00	0	44,600	0.00	0	44,600
Statewide Cost Allocation	0.00	0	(9,000)	0.00	0	(9,000)
Change in Employee Compensation	0.00	0	30,000	0.00	0	59,800
FY 2022 Program Maintenance	45.00	0	6,362,200	45.00	0	6,329,000
1. Additional Shipping Costs	0.00	0	99,000	0.00	0	99,000
2. IT Infrastructure and Office 365	0.00	0	22,500	0.00	0	22,500
FY 2022 Total	45.00	0	6,483,700	45.00	0	6,450,500
Change from Original Appropriation	0.00	0	183,900	0.00	0	150,700
% Change from Original Appropriation			2.9%			2.4%

State Lottery

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2021 Original Appropriation					
The Legislature funded two line items for FY 2021: These included \$17,400 for staff salary increase; and \$75,700 for increased shipping and equipment costs.					
	45.00	0	6,299,800	0	6,299,800
Removal of Onetime Expenditures					
Removes onetime funding for capital replacement of computers, servers, and IT equipment.					
Agency Request	0.00	0	(75,200)	0	(75,200)
Governor's Recommendation	0.00	0	(75,200)	0	(75,200)
FY 2022 Base					
Agency Request	45.00	0	6,224,600	0	6,224,600
Governor's Recommendation	45.00	0	6,224,600	0	6,224,600
Benefit Costs					
Employer-paid benefit changes include an 11% increase (or \$1,280 per eligible FTP) for health insurance, bringing the total appropriation to \$12,930 per FTP. Also included is a restoration of the unemployment insurance rate, a partial restoration of the unused sick leave rate, and adjustments to workers' compensation that vary by agency.					
Agency Request	0.00	0	72,000	0	72,000
<i>The Governor recommends no increase for health insurance due to fewer claims than expected and a one-year holiday for employers who contribute to the PERSI-managed sick leave plan.</i>					
Governor's Recommendation	0.00	0	9,000	0	9,000
Replacement Items					
Request for replacement items includes \$18,000 for three network switches, \$3,600 for five desktop computers, \$10,000 for two iMac workstations, \$11,000 for two network solutions, and \$2,000 for a server rack.					
Agency Request	0.00	0	44,600	0	44,600
Governor's Recommendation	0.00	0	44,600	0	44,600
Statewide Cost Allocation					
This request includes adjustments to recover the cost of services provided by other agencies in accordance with federal and state guidelines on cost allocation. Attorney General fees will decrease by \$6,400, risk management costs will increase by \$500, State Controller fees will decrease by \$2,900, State Treasurer fees will decrease by \$500, and Office of Information Technology Services billings will increase by \$300, for a net reduction of \$9,000.					
Agency Request	0.00	0	(9,000)	0	(9,000)
Governor's Recommendation	0.00	0	(9,000)	0	(9,000)
Change in Employee Compensation					
For calculation purposes, agencies were directed to include the cost of a 1% salary increase for permanent and temporary employees.					
Agency Request	0.00	0	30,000	0	30,000
<i>The Governor recommends a 2% increase in employee compensation, distributed on merit. He does not recommend a compensation increase for group and temporary positions.</i>					
Governor's Recommendation	0.00	0	59,800	0	59,800
FY 2022 Program Maintenance					
Agency Request	45.00	0	6,362,200	0	6,362,200
Governor's Recommendation	45.00	0	6,329,000	0	6,329,000

State Lottery

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
1. Additional Shipping Costs					
The State Lottery requests a total of \$99,000 in operating expenditures for anticipated increases in shipping costs. The agency is experiencing increased sales in scratch tickets, which are shipped to retailers, causing an increase in costs for shipping and equipment for retailers. Ticket dispensing machines are provided by the State Lottery for retailers in order to provide secure inventory control.					
Agency Request	0.00	0	99,000	0	99,000
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>99,000</i>	<i>0</i>	<i>99,000</i>
2. IT Infrastructure and Office 365					
The State Lottery requests a total of \$22,500, of which, \$12,500 is ongoing and \$10,000 is onetime. Onetime costs are for fiber-optic cable at the main office to upgrade network transmission speeds. The ongoing amount is for Microsoft Office 365 subscriptions.					
Agency Request	0.00	0	22,500	0	22,500
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>22,500</i>	<i>0</i>	<i>22,500</i>
FY 2022 Total					
Agency Request	45.00	0	6,483,700	0	6,483,700
<i>Governor's Recommendation</i>	<i>45.00</i>	<i>0</i>	<i>6,450,500</i>	<i>0</i>	<i>6,450,500</i>
Agency Request					
Change from Original App	0.00	0	183,900	0	183,900
% Change from Original App	0.0%		2.9%		2.9%
<i>Governor's Recommendation</i>					
<i>Change from Original App</i>	<i>0.00</i>	<i>0</i>	<i>150,700</i>	<i>0</i>	<i>150,700</i>
<i>% Change from Original App</i>	<i>0.0%</i>		<i>2.4%</i>		<i>2.4%</i>